



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 4

DRAFT REVISED CONSUMPTIVE TARIFFS, RATES AND BASIC CHARGES FOR ELECTRICITY GENERATION AND DISTRIBUTION, WATER AND SANITATION AND SOLID WASTE MANAGEMENT SERVICES

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TABLE OF CONTENTS

1. ELECTRICITY GENERATION AND DISTRIBUTION.....	3
2. WATER AND SANITATION.....	8
3. SOLID WASTE MANAGEMENT.....	11



1. ELECTRICITY GENERATION AND DISTRIBUTION

1.1 General

The proposed revisions to the tariffs have been formulated in accordance with the City of Cape Town Tariff and Rates Policy and comply with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

In terms of section 75A of the Local Government Municipal Systems Act, any fees, charges or tariffs which a municipality may wish to levy and recover in respect of any function or service of the municipality, must be approved by a resolution passed by the municipal council with a supporting vote of a majority of its members.

The Electricity Regulation Act requires that proposed revisions to the electricity consumption based tariffs be submitted to the Regulator for approval prior to implementation. Provisional approval will therefore be requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible.

The Consumptive Tariff Schedule includes a note indicating that the tariffs are applied in accordance with the terms and conditions as contained in the Electricity Tariff Policy.

On 7 March 2019, NERSA issued a statement allowing Eskom an average 9.41% increase, which, when coupled to the Regulatory Clearing Account (RCA) increase of 4.41% already approved in October, amounts to a total increase to direct Eskom customers of 13.82%. This then equates to a 15.63% increase to Municipalities. To date, NERSA have not issued a Consultation Paper on Guideline Increases for regulated tariffs, but the City has estimated this Guideline increase to possibly be in the vicinity of 12.87% (uncertainty exists as a result of the CPI rate that NERSA will apply being unknown – estimated at 5% - and whether or not they will retain the same breakdown in terms of cost percentages of budget). It should be noted that this excludes items such as the Contribution to Rates.

The above items as well as amendments to the Support Services Recharges and other internal City-determined costs result in the Electricity Generation and Distribution Department requiring a revenue increase from Sale of Electricity of 8.5% in order to meet the budgeted Operating Expenditure and, when coupled to the expected negative sales growth of -1.5%, results in a tariff increase requirement of an average of 8.88%.

These increases are in line with the guidelines established in the Medium Term Revenue and Expenditure Framework.



Present electricity tariffs were approved by Council on 30 May 2018 and by NERSA on 29 June 2018, and were implemented with effect from 1 July 2018.

1.2 Proposed Electricity Tariff Policy Changes

It is proposed that the Tariff Policy for Electricity Generation and Distribution is amended as follows for the 2019/20 Financial Year:

- Definition of Point of Supply amended to clarify that each meter shall constitute a point of supply
- Clause 5.2.9 (interest free period for customers migrating from Large Power User tariffs to Large User Time of Use tariff) deleted as no longer relevant
- Clause 5.2.11.1 (Concession allowing customers previously on the Atlantis Time of Use tariff to be on the Investment Incentive MV Tariff for a period of 1 year) deleted as no longer relevant
- Addition for clarity to clause 5.3.5 to state that any rebates allowed attach to the customer, and not to the whole property (where multiple meters exist on the same property)
- Addition for clarity to clause 5.3.6 to specify that should a customer who receives a rebated tariff exceed the consumption limit of that tariff (i.e. 450kWh per month on average over a consecutive 12-month period) they will be moved to the relevant tariff as if no rebate was present
- Clause 5.2.9 added to clarify how and during which time periods billed Maximum Demand will be determined
- Clause 5.3.11 added to give effect to the addition of a new consumption tariff for Residential Small-scale Embedded Generation customers

Further to this, some non-consequential changes were made to the wording of certain clauses to improve language and clarity, and to allow for updates to other relevant Council policies. These changes did not materially impact on the meaning of the clauses.

1.3 Consumptive Tariff Proposals

For the 2019/20 financial year, the following is proposed for the Residential tariffs.

No changes are proposed in terms of eligibility, or structure, of the standard Residential Tariffs, nor are there any changes proposed in terms of the Free Basic Electricity allocation. All components increase by 8.88% across all three tariffs.

The existing Residential Small-scale Embedded Generation Tariff (now with a “1” added to the name) is now proposed to be limited to customers already receiving this tariff on 30 June 2019. The Service Charge and Feed-in tariffs are retained at their 2018/19 levels, with the Block 1 energy rate increasing by 13.37% to compensate for the loss of revenue brought about by the unchanged Service Charge and the Block 2 energy rate increases by the average of 8.88%.



A new Residential Small-scale Embedded Generation 2 Tariff is proposed which is the same as the Home User Tariff in terms of consumption energy charges. The proposed Service Charge for this tariff is determined as being the Home User Service Charge plus a meter reading fee of R85 per month (inclusive of VAT) to compensate for the fact that the costs of the AMI system (used primarily for Commercial customers) are not recovered from the standard Residential customers. The Feed-in tariff is set at 68.51c/kWh (excluding VAT), which is based on the lesser of the REIPPPP4 averaged costs for solar and wind energy or the estimated offset Eskom purchase cost as determined.

All components of the Small Power User Tariffs increase by the average amount. Any small variation to this is the result of rounding.

All Large User Time of Use Tariffs increase by the average of 8.88% across all components. Any variation to this that exists is once again the result of rounding.

The Large Power User Tariffs (non-Time of Use), as well as the Medium Voltage Time of Use Tariff again receive an additional 7% increase over and above the standard 8.88% (this equates to an increase of 15.88%, only marginally higher than the increase in Eskom tariffs to the Municipality). It is envisaged that nearly all customers remaining on these tariffs would benefit from changing to the applicable Time of Use tariff.

The Non-Residential Small-scale Embedded Generation Feed-in Tariff remains unchanged, as the philosophy behind this tariff is now the same as the new Residential Small-scale Embedded Generation Feed-in Tariff, but it was felt that this would be reduced over time, rather than through a reduction, as this tariff has been used to develop the business case for these systems.

The design philosophy for the Investment Incentive Tariffs of providing the benefit through excluding the Contribution to Rates amount from these tariffs continue. As a result of a recalculation of this amount, these tariffs will see varying increases in terms of percentages, depending on what proportion of the tariff component the Contribution to Rates forms.

The design philosophy for the Wheeling Tariffs is also retained. This results in an increase across all components to the Wheeling Customer MV Tariff of 8.88%. The Wheeling Supplier Tariffs are determined by removing either the estimate Eskom Megaflex or Eskom WEPS energy rates from the Customer Tariff, in order to recover all the necessary costs lost as a result of these arrangements. It is important to note that these Eskom tariffs are only estimated at this stage, as the late announcement by NERSA of the Eskom price increase has meant that the actual Eskom tariffs are not known. This is a similar predicament as to what was faced last year, and as the Eskom tariffs were slightly different to what was anticipated, this results in the increase percentages of the Supplier energy rates being somewhat varied from the average. It is proposed that these rates will



be adjusted accordingly as part of the May budget process in order to avoid this in future years.

It must further be noted at this point that the rules and processes for Wheeling have not yet been finalized, and as such it is proposed not to implement the tariffs as of 1 July 2019, but from an effective date yet to be determined.

The tariff for Street Lighting and Traffic Signals energy increases by 8.88%.

1.4 Miscellaneous and Street Lighting Tariffs

The Miscellaneous Electricity Tariffs are levied to recover the costs of services provided directly to individual customers.

In terms of the Miscellaneous Tariff Schedule, each tariff was revisited in terms of its relevance and revenue generating potential.

No tariffs are added or removed from this schedule for the 2019/20 financial year.

The following items on the Schedule are dependent on the Consumption Based tariffs, and are adjusted in accordance with the current tariff increase estimate of 8.88%:

- Item 10.6 will increase by the same amount as the Small Power User 2 energy charge.
- Item 13.1, Bulk Residential and Small Power User deposits increase by the average
- Item 13.2, Deposits for Large and Time of Use agreements increase by 6.1%, less than the average increase as a result of the change in the profile of the average customer on these tariffs and the changes to the Large User tariff structure
- Item 14.1, Unmetered Tariffs are recalculated in line with the proposed Small Power User 1 energy rate.
- Item 3.1 on the Street Lighting Schedule will increase by the average consumption tariff increase. It should also be noted that the usage of Green Energy Certificates is compulsory.

The following tariffs were reassessed in terms of the actual cost of supplying the service (recalculated annually from a zero base and dependent on internal costs such as the expected salary increase and external costs such as the cost of meter technology – may also in some instances include a consumption tariff component and may also result in a reduction in tariff):

- Item 2, unauthorised supplies
- Item 14.2, Connection fees for unmetered supplies
- Item 19, Replacement of burnt, vandalized or stolen meters
- Item 20, Engineering Studies



The following tariffs remain unchanged, and are mostly free services:

- Items 5.1, 5.2 and 5.3, quotation fees
- Item 11.1, temporary hire of MV switchgear equipment for breakdowns (these tariffs are dependent on the replacement value of the equipment only)
- Item 15.1, Provision of the Electricity Supply By-law (available as a free download from the City's website)
- Item 16.2, Disincentive charges payable per incident of damage to infrastructure (note that following feedback these charges are no longer subject to VAT)
- Item 17, Green Energy Certificates – the variance in cost between the energy from Darling Wind Farm and Eskom is such that these do not require an escalation in cost at this time.

The remaining tariffs increase by CPI. Note that in some instances the rounding for VAT purposes may result in a slightly above or below increase for some items. Note also that these tariffs will be revisited at the time of the finalisation of the Consumption Based Tariffs, and should be considered as indicative until that time.

The increases are in accordance with the guidelines established in the Medium Term Revenue and Expenditure Framework.

Revenue received from these tariffs for the previous three years compared to the budgeted income for the same period are as follows:

Year	Budget	Actual
2016	R 101 651 582.15	R 98 412 353.25
2017	R 107 673 025.25	R 129 872 068.81
2018	R 100 971 922.61	R 162 400 295.44

The primary factors in the variation between budget and actual for the three periods are Shared-network Charges (shown as Development Contributions on the financial statements), positive variations of R31.5m in 2017 and R46m in 2018, and a positive variation of R17.6m in 2018 for Fines, Penalties and Forfeits. These two items are completely dependent on customer requirements/actions, and prudent budgeting would be to consider these variances as being anomalies, given that any variations are completely outside the control of the City.



2. WATER AND SANITATION

As customers will be aware, the drought had a permanent impact on the overall consumption levels as well as the consumption in the high usage steps used for cross-subsidisation. The cost of operating and maintaining the water and sanitation network, with due cognisance of initiatives to make water supply more resilient, has however continued to increase. To this end changes were already recommended during the 2018/19 Budget Cycle to stabilise the tariff structure. Changes included the revision of the six step progressive stepped tariff structure to a four step tariff structure, the introduction of a fixed basic charge for water and uniform tariffs for the non-domestic categories. These changes were necessary to ensure that the cost of delivering the service is recovered to protect the sustainability of the service.

The City of Cape Town has previously allowed for possible shifts in water usage patterns experienced during periods of restrictions. To this end level 1 to level 7 reduction tariffs for the restriction measures were approved for the 2018/19 financial year. In line with the New Water Strategy, five levels of tariffs are recommended for 2019/20. In line with the projected annual consumption levels (Demand Curve), as the City moves out of the drought period, the five levels of tariff aligns as follows with the seven levels currently being applied for water and sanitation:

2018/19 – Tariff Levels	2019/20 – Tariff Levels
Level 1	
Level 2 - Reduction	No Restriction
Level 3 - Reduction	Level 1 Reduction
Level 4 - Reduction	Level 2 Reduction
	Level 3 Reduction
Level 5 - Reduction	Emergency Level
Level 6 - Reduction	
Level 7 - Reduction	



Given current circumstances, the 2019/20 level 1 reduction tariff (comparing with the 2018/19 level 3 reduction tariff) will be carried into the 2019/20 financial year. This will be subject to change based on future circumstances and decisions.

The Bulk Water tariffs have been adjusted to align with projected volumes and are reflected in the consumptive tariff schedules. There is a proposed 9% increase on the consumptive tariff for water and sanitation (per the alignment reflected in the table above). No increase to fixed basic charge is proposed for the 2019/20 financial year. The higher than CPI increase for the consumptive tariffs is predominantly due to the water augmentation plan to ensure security of water supply, water demand management initiatives, ensuring the management of assets at appropriate levels, sustain and enhance the maintenance programs as well as supplying water and sanitation at appropriate compliance, capacity, skills, service delivery and responsiveness levels.

The miscellaneous tariffs are levied by Water and Sanitation for the provision of various services by the Department. Examples of these services are the installation of water connections and the testing of meters. The aim of these tariffs is to recover the cost of the provision of a particular service to each customer. There is a proposed 4.14% increase on miscellaneous tariffs.

The proposed consumption tariffs as well as miscellaneous tariffs are shown in the attached Tariffs and Charges Book.

Apart from changing and adding some wording to refine and formalise the existing tariff policy, notable changes / additions in the tariff policy, tariff structure and tariff schedules for the 2019/20 financial year include:

Miscellaneous:

- The introduction of tariffs related to compliance and monitoring of water for customers (e.g. Water Services Intermediaries).
- The formalisation of tariff related to compliance and monitoring of wastewater discharge by Water Services Intermediaries.



Consumptive:

- Differentiation of indigent customers as “uncontrolled” and “controlled” in accordance with recommendations to raise revenue in respect of indigent customers based on the probability of an inflow of future economic benefits as a result of raising a receivable only if it is likely to be collectable.
- The introduction of a Sanitation Fixed Basic Charge for Water Services Intermediaries and Other customers where alternative sources of water are used and disposed of via the sewer system. This mechanism is required as alternative sources do not register on the municipal water meter from which a specified percentage is used as the current methodology to calculate the volume disposed.



3. SOLID WASTE MANAGEMENT

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include refuse collection fees, disposal fees, compost sales, weighbridge fees and other ad hoc services. An average increase has been applied on the Consumptive Tariffs for Collections of 5% & Disposal of 5%. An average increase has been applied on the Miscellaneous Tariffs for Cleaning of 4.14%.

The following amendments to the Tariff Policy are proposed:

- **Tariff Policy Changes**
 - Changes have been made to the following definitions:
 - 660L and 770L Containers;
 - Agricultural Land;
 - Non-Residential Properties;
 - Residential Properties;
 - Vacant land;
 - New Definitions:
 - Health Care Waste;
 - Generator
 - A change to item 6.1.7.1 (previously 7.1.7.1) to include – In the case of Hanging and Holding properties refuse will be charged to the Holding property where the valuation reflects in terms of the Rates Policy Section 18;
 - Removed item 6.1.8.4 (previously 7.1.8.4) – No longer relevant;
 - Swapped items 6.2.2.1 (previously 7.2.2.1) and 6.2.2.2 (previously 7.2.2.2) for an easier read;
 - A change to item 6.2.2.4 (previously 7.2.2.4) to include – In the case of Hanging and Holding properties refuse will be charged to the Holding property where the valuation reflects in terms of the Rates Policy Section 18;
 - Cosmetic changes to Items:
 - 6.3.3.4 (previously 7.3.3.4);
 - 6.3.3.5 (previously 7.3.3.5);
 - 6.3.3.6 (previously 7.3.3.6);
 - 6.3.3.7 (previously 7.3.3.7).
 - New items:
 - 7.1.4 - Relief available to the indigent in Council-owned housing rental and selling schemes will be as outlined in the housing chapter of the Credit Control and Debt Collection Policy, paragraph 19 (1) (i) (i) and (ii) adopted by Council, as amended from time to time;
 - 7.1.4.1 - Customers earning R4 000 and below receive 100% rebate.



- **Tariff Book (Changes underlined)**

- A Cosmetic change has been made to items
 - 1.3.1.1.1.8;
 - 1.3.1.1.2.1;
 - 1.3.1.1.2.2
- The following item has been deleted as we no longer have a 2 and 4 times per week refuse removal service – 1.3.1.3.2.1
- The Remarks column has been update for the following items:
 - 1.3.5.2.2 - Council may on request from a neighbouring Municipality consider waiving the current surcharge in which case the tariffs in paragraphs 1.3.5.2.1.1 to 1.3.5.2.1.4 will be applicable, provided they only make use of one of our Landfill sites;
 - 1.3.5.2.5.1 - Applicable to all Landfill Sites. The City may consider waiving the tariff in the event that Clean Builders Rubble is required at the Bellville Landfill site, as part of covering material to rehabilitate the site, provided it is disposed of directly at the facility.

Failure to implement the proposed Tariff increases on 1 July 2019 will result in under recovery of Revenue required to meet anticipated expenditure for the 2019/2020 financial year.



CONSUMPTIVE SOLID WASTE TARIFFS 2019 / 2020

All Tariffs reflected below are exclusive of VAT

Solid Waste	2018/19 (excl. VAT)	2019/20 (excl. VAT)	2019/20 (incl. VAT)	Average Increase %
RESIDENTIAL COLLECTIONS				
Formal				
240l Container including Lockable Container	Rand per month	R 126.26	R 132.61	R 152.50
INDIGENT REBATE - 240l Container including Lockable Container				
Block 1 (100% rebate) – property value from R1 up to R100 000	Rebate Rand per month	R -126.26	R -132.61	R -152.50
Block 2 (75% rebate) – property value from R100 001 to R150 000	Rebate Rand per month	R -94.70	R -99.39	R-114.30
Block 3 (50% rebate) – property value from R150 001 to R350 000	Rebate Rand per month	R -63.13	R -66.26	R -76.20
Block 4 (25% rebate) – property value from R350 001 to R500 000	Rebate Rand per month	R -31.65	R -33.22	R -38.20
ENHANCED SERVICE LEVEL INCLUDING LOCKABLE CONTAINER				
240l - Additional Container	Rand per container per month	R 126.26	R 132.61	R 152.50
240l - 3x per week for cluster	Rand per container per month	R 378.70	R 397.65	R 457.30
Informal				
Basic Bagged service	Rand per month	Free	Free	Free
				-



NON-RESIDENTIAL COLLECTIONS					
240 LITRE CONTAINER INCLUDING LOCKABLE CONTAINER					
1 removal per week	Rand per container per month	R 150.78	R 158.35	R 182.10	5%
3 removal per week	Rand per container per month	R 452.26	R 474.87	R 546.10	5%
5 removal per week	Rand per container per month	R 753.91	R 791.65	R 910.40	5%
REFUSE AVAILABILITY					
All vacant Erven	Rand per month	R 74.78	R 78.52	R 90.30	5%
DISPOSAL SERVICES					
General Waste	Rand per ton	R 483.57	R 507.74	R 583.90	5%
Special Waste	Rand per ton or part thereof	R 640.87	R 672.96	R 773.90	5%
Builders Rubble	Rand per ton	R 20.00	R 21.04	R 24.20	5%